

**Company Participants**

Larry Heaton - CEO

Peter Donato - CFO

**Conference Call Participants**

Jason Kolbert - Dawson James

**Operator**

Good afternoon, ladies and gentlemen and welcome to Zomedica's First Quarter of 2023 Earnings Release Call. As a reminder, this call is being recorded and all participants are in a listen-only mode. The call will be open to questions and answers following the presentation. On today's call are Zomedica's CEO, Larry Heaton; and CFO, Peter Donato.

Before we begin, the Company would like to remind everyone that various remarks about future expectations, plans and prospects constitute forward-looking statements for purposes of safe harbor provisions under the Private Securities Litigation Reform Act of 1995. Zomedica cautions that these forward-looking statements are subject to risks and uncertainties that may cause their actual results to differ materially from those indicated including risks described in the Company's filings with the SEC.

Any forward-looking statements made on this conference call speak only as of today's date, Wednesday, (sic) [Thursday] May 11, 2023. And the Company does not intend to update any of these forward-looking statements to reflect events or circumstances that may occur -- that occur after today.

I will not pass the call over to Zomedica's Chief Executive Officer, Larry Heaton. Please go ahead, sir.

**Larry Heaton**

Thank you. I'd like to start by thanking our shareholders for their support, wishing our prospective investors and analysts and others a good afternoon, and welcome all of you to the Zomedica first quarter 2023 earnings release call.

On this call, I'll be providing an update on the business, followed by Peter Donato, our Chief Financial Officer who will walk through our financial results. After our prepared remarks, we'll open the line to your questions.

Earlier today, Zomedica released its financial results for the quarter ended March 31, 2023. As we reflect on these results, we continue to be pleased and excited with the progress the team is making, not only financially and operationally but also towards our strategic priorities.

First off financially, where our top priority is to grow revenue. The first quarter of 2023 was another busy quarter for us. Revenue for the quarter was \$5.5 million, a 45% increase over the first quarter of 2022, driven by organic growth within our PulseVet and TRUFORMA platforms, and the inclusion of our Assisi and VetGuardian products, which were not part of our consolidated figures last year.

While sequentially down a bit from the fourth quarter of 2022, due to the seasonality of capital sales as expected, it was a record first quarter performance, and the second highest revenue quarter for the Company

TRUFORMA continued to show increased utilization and adoption, producing a 222% increase over the first quarter of 2022. We were also pleased with the 8% year-over-year growth in our PulseVet products as we continue to penetrate the small animal veterinarian market, selling 21 systems to this customer segment during the quarter.

Overall, since our acquisition of Pulse Veterinary Technologies about 18 months ago, we've grown the installed base of PulseVet systems, 33% to approximately 1,800 installations. This is important since the system is a razor and blade model, where the consumable trodes produce substantial revenue for the Company, averaging approximately 55% of total PulseVet revenue.

Additionally, in the first quarter, we also began selling the VetGuardian zero-touch vital signs remote monitor, a novel wireless monitoring technology. We were encouraged by the market's

response to the VetGuardian offering. And on May 8th, we announced that we have exercised our option to acquire Structured Monitoring Products, the makers of the VetGuardian system, and expect to close on the acquisition subject to the completion of due diligence. We believe this transaction will enhance Zomedica's ability to bring the VetGuardian groundbreaking touchless monitoring products to clinics around the world. And this acquisition also furthers our efforts to improving margins as we will be transferring manufacturing to our facility in Roswell, Georgia.

Margins remain strong and 70%, and we expect these to continue at around these levels, especially as we're transitioning distribution of Assisi products from the current third party logistics provider to our global manufacturing and distribution center in Roswell, Georgia during the current quarter, and transferring VetGuardian manufacturing, as I just mentioned, to this facility once we close that transaction.

Lastly, we want to continue our journey to both, positive cash flow and GAAP profitability. And we are pleased to report that we are seeing leverage on the G&A line as we continue to invest in R&D and sales and marketing to grow commercially and through integration of acquired products.

Operationally, we continue to invest considerable time and resources into developing and enhancing our internal processes and production capabilities. In the first quarter of 2023, we expanded our sales and marketing organization and related capabilities to address new product offerings and added sales territories. We further increased our manufacturing capabilities with today's announcement via 8-K that we will be expanding our production footprint at our Georgia facility by 50%, primarily to support transitioning of the TRUFORMA production line from our partner Qorvo.

We hired industry experts, scientists, veterinarians and other personnel with extensive experience and knowledge of the companion animal field. We leveraged an improvement of our administrative capabilities, making them scalable to a business with much higher revenue and we continued expansion of marketing and the build out of the Zomedica brand, generating favorable commentary from veterinary professionals and pet parents.

Strategically, we continue to look for M&A opportunities that meet our rigorous internal financial and strategic hurdles, all while adhering to our five pillars, which are improving the quality of care for the pet and the satisfaction of the pet parent, while also improving the workflow, cash flow and profitability of our veterinarian partners. The decision to acquire structured monitoring products with its VetGuardian product line is a good example of this.

Achieving our strategic priorities requires a combination of growing revenue to a substantial level, efficient manufacturing that produces substantial margins, and investing in commercial capabilities to enable growth from both, organic sources as well as through acquisition. This means that we will be increasing R&D spending over last year's levels as we transition the development of new TRUFORMA assays from Qorvo to Zomedica. We will be both compensating Qorvo for transition services and also building the internal R&D team. We will be both compensating Qorvo for the development of assays already underway, equine eACTH and noninfectious GI, and also beginning development of the next wave of TRUFORMA form assays by our own team.

Looking ahead, our current assay development costs will be significantly lower than what we've been paying Qorvo historically. But for this year, we'll see increases in overall spend for R&D versus 2022 levels.

Similarly, as we continue to build the sales organization and execute marketing programs, we'll see increases over the level seen in the first half of 2022, but expect these levels to remain fairly steady state from now, aside from expansion of the sales force itself.

We are committed to achieving positive cash flow and profitability and see the steps we're taking now as essential in hitting these objectives as expeditiously as possible.

In closing, we're very happy with what we were able to achieve during the first quarter and look forward to building on this momentum as we continue to be very optimistic about Zomedica's future.

And with that, I'm pleased to introduce you to our new Chief Financial Officer, Peter Donato, who recently joined Zomedica and will take us through Zomedica's first quarter 2023 financial performance and provide additional thoughts on what to expect for the rest of the year.

## **Peter Donato**

Thank you, Larry. And good afternoon everyone.

Revenue for the first quarter of 2023 was \$5.5 million, an increase of \$1.7 million, or 45% from the first quarter of 2022. Keep in mind that historically, revenue is sequentially down in the first quarter from the fourth quarter of the prior year, and generally increases in quarters two and three before peaking in Q4, due to our capital selling cycle, and higher utilization of those capital systems that we sold or placed earlier in the year. Also, Q4 of last year, as Larry mentioned, was the largest revenue quarter in our company's history, making our Q1 the second best quarter on record, but the best first quarter ever.

Highlights include 11% of this growth was organic, with the rest coming from the acquisition and integration of Assisi, Revo and VetGuardian product lines. Achieving Q1 2023 sales in excess of historical averages is encouraging, given that our first quarter typically represents our lowest revenue quarter for the year and generally about 20% or less of the overall annual sales.

PulseVet continues to grow organically, reflecting an 8% increase over the first quarter of last year, fueled by high margin trodes and consumables. We believe, PulseVet sales will remain strong into 2023, especially given the seasonal step-up usually observed in the back half of our selling year. This with continued efforts around development of the small animal market.

TRUFORMA generated 222% increase in revenue over the first quarter of last year. This was driven by organic growth and our cortisol, TSH and TT4 assays and from our new assays launched last year, fT4 and eACTH.

We expect year-over-year growth to continue, and we continue our investment in the development of additional assays, including the first assay for horses in a panel of assays for non-infectious gastrointestinal disease that we expect to launch later this year.

Assisi brought in \$1.1 million of incremental revenue that was not present in the first quarter of last year. We continue to leverage our communication and marketing networks, and we expect Assisi recognition and brand awareness to increase, resulting in continued growth for the balance of 2023.

We expect additional growth through the rest of 2023 from the sales of VetGuardian. As Larry mentioned, it's a zero-touch, wireless, vital sign monitoring system, which was launched in early January, as well as our new TRUVIEW digital microscopy platform, which is expected to launch this quarter.

In general, we expect to increase in subsequent periods, the benefit from expanding our product lines and from our recent acquisitions, and the increased investment in sales, marketing, as well as the all commercialization efforts. In addition, sales will increase sequentially from the first quarter and hit their historical highs, usually in the fourth quarter.

Our gross profit for the first quarter of 2023 was \$3.8 million, an increase of \$1.1 million or 41% from the first quarter of 2022. Margin remained strong at 70%. And we expect them to remain at or above 70%, inclusive of many of the costs and supply chain initiatives already underway within our company.

Operating expenses are up \$4.3 million, or 61% from the first quarter of 2022. Research and development expense for the three months ended March 31, 2023 were just over \$900,000 compared to just under \$400,000 for the three months ended in 2022. That's an increase of about a \$0.5 million or 125%. The increase was primarily driven by our continued investment in our internal capabilities to develop, test and manufacture our next generation of diagnostic products.

Total SG&A for the three months ended March 31, 2023 was \$10.4 million. This compares to \$6.7 million for the three months ended March 31, 2022. That's an increase of \$3.7 million, or 55%. The sales and marketing portion of the total \$10.4 million G&A was \$3.7 million or approximately 36% of the grand SG&A total. This compares to \$1.4 million for the three months ended March 31, 2022 or approximately 22% of last year's total SG&A. The increase was primarily driven by hiring 22 additional people in sales, 16 of whom are selling directly to the customer, as well as to increased spending on marketing campaigns, increased attendance at trade shows as we continue to build brand awareness and recognition of our ever expanding suite of products. The remaining portion of the \$10.4 million SG&A line relates to non-commercial general and administrative expense, and this totaled \$6.7 million for the three

months ended March 31, 2023. This compares to \$5.3 million for the first quarter of last year, or an increase of \$1.4 million, or 26%.

We are pleased to report and see leverage in this cost category, even when considering that this year's increases were primarily the result of non-recurring charges such as CFO transition costs, and other growth and integration related expenses.

Operating loss for our first quarter was \$7.5 million, up from \$4.3 million a year ago, and \$5.1 million from last year's fourth quarter. When adjusting for onetime items associated with our Qorvo TRUFORMA related transition and our transition costs to a new Chief Financial Officer, as well as adjustments from our Revo earnout liability, our adjusted operating loss was approximately \$6.9 million. All of the operating loss variants from prior periods are attributable primarily to the significant investments in the commercial personnel infrastructure, as well as continued investments in R&D, specifically diagnostics.

Net loss for the three months ended March 31, 2023 was \$6.4 million or \$0.007 per share, compared to a net loss of \$3.9 million or \$0.004 per share for last year's first quarter. The increase in losses of about \$2.5 million or 64% again was almost entirely attributable to the expanded commercial activities that we've been talking about.

Moving to the balance sheet. Our balance sheet is strong, and we had cash, cash equivalents and available for sale securities of \$147.5 million at the end of our first quarter this year, compared to \$195 million as of March 31, 2022.

Our decreasing cash was primarily driven by acquisitions of Assisi and Revo platforms, Qorvo-related transition payments, and our general operating activity. Our cash burn for this quarter was approximately \$3.2 million when eliminating onetime items for business development activities. This burn rate is relatively consistent with prior periods and we should see improvements in operation – burn as the year progresses, absent any one-time investments later in the year.

I now hand the call back over to Larry to finish the call.

**Larry Heaton**

Thanks, Peter. So, we had a very strong and record-breaking first quarter. We were able to grow revenue by 45% as we continue to sell more of our established TRUFORMA and PulseVet products, while at the same time benefiting from the sales coming from our Assisi, Revo and VetGuardian acquisitions during the course of last year.

With focused marketing and commercialization efforts build an ever increasing brand recognition, the launches of our VetGuardian and TRUVIEW products, and the release of new TRUFORMA assays along with expected efficiencies coming through our Qorvo, transition work, and centralization of manufacturing and distribution capabilities, we think the future is bright for Zomedica. Looking into the remainder of 2023, we'll continue to work diligently to bring Zomedica's suite of world leading products to an even greater number of veterinarians and their pet patients.

So, let me end our report by again thanking those that have been supportive of Zomedica, including animal health professionals and pet owners worldwide, along with the many shareholders of Zomedica stock.

With that, I'd be happy to open the line for questions.

### **Question-and-Answer Session**

#### **Operator**

[Operator Instructions] The first question comes from Jason Kolbert of Dawson James.

#### **Jason Kolbert**

Hi, guys. Thanks for all the details on the quarter. What I'd really like to get is just an idea of where the bulk of the revenues came in. For example, can you share the revenue number on PulseVet versus TRUFORMA and Assisi? That would be helpful.

#### **Larry Heaton**

Sure. Peter, why don't you handle that one?

#### **Peter Donato**

So, I just lost my detail on that. I apologize, folks. Was there another question, while we -- while I dig for my detail? I apologize.

**Larry Heaton**

So, I will tell you that as in previous quarters -- while Peter's pulling that detail together, as in previous quarters, the bulk of the revenue came from PulseVet, where we saw 8% increase over first quarter of last year. TRUFORMA presented -- so let's see. Assisi revenue was similar to last quarter, it was around \$1.1 million...

**Peter Donato**

Yes. I have the exact numbers here. So, PulseVet is just under \$1.5 million. The Revo devices were just over \$100,000, VetGuardian also around \$100,000, the Assisi, as Larry said, right, at \$1.1 million.

**Larry Heaton**

TRUFORMA?

**Peter Donato**

And TRUFORMA is just under \$200,000 for a total of 5.5 million.

**Jason Kolbert**

I'm sorry. What was the PulseVet number?

**Peter Donato**

So PulseVet number was -- just under \$3 million.

**Jason Kolbert**

And sequentially, it was \$4.7 million, if I'm right, in fourth quarter last year. So, is that -- that's a cyclical -- I mean, that's a big cyclical drop. I'm just trying to understand if second, third and

fourth quarter will be sequentially higher. Is there something else going on in that drop or that's just a cyclical drop?

**Larry Heaton**

Yes. Jason, thanks for that question. And that's a good question, too. We see seasonality with the PulseVet technology in particular, because the large portion of that is capital. About, as I mentioned, 55% of our PulseVet revenue is consumables. And that generally stays pretty steady from fourth quarter to first. But the capital in the fourth quarter is substantially higher than any other quarter in the year. And this has been something that we've seen historically.

And so, if you look back to last year, we expect the same thing to happen this year, which is, we take a dip in the first quarter, as I announced on last quarter's conference call, that we expected a dip in total revenue in the first quarter just a bit as the PulseVet revenue, dip from capital, and then it grows sequentially in the second, third and fourth quarters.

First quarter, lowest quarter of the year, generally 20% or maybe a little lower of our total year sales. And then, we see second quarter up, third quarter up a bit, and then a significant increase in fourth quarter as a lot of PulseVet capital is closed during that fourth quarter.

In fact, as I look at the sort of projections that you put out there, if you take the fourth quarter revenue where we were higher, and the first quarter revenue where we're lower, you add them together, we're actually a little bit higher than the combined.

So, I think you had it exactly right, just didn't know about the seasonality of that capital component.

**Jason Kolbert**

And one last question, which is, I can hear in your voice the burning desire to get to cash flow positive. We're assuming that in 2024 you're going to be neutral to positive. Are you comfortable with that assumption?

**Larry Heaton**

Absolutely.

**Operator**

[Operator Instructions]

**Larry Heaton**

So operator, my understanding is that somehow the webcast thing for people to be able to ask questions for this call was either not presented or was incorrect or what have you. And so, I think that's going to limit some of the calls. But we're certainly happen to take -- if you happen to be on the web and you'd like to ask a question, please dial into the phone line, and we'll be happy to answer them. I think we have one on the line now, operator.

**Operator**

The next question comes from [indiscernible] private investor.

**Unidentified Analyst**

I was curious as far as the Zomedica's marketing strategies -- all I've seen so far is just trade shows. Would you care to elaborate on what other marketing strategies are actually being implemented?

**Larry Heaton**

Yes. So, we have a really robust approach to marketing here at Zomedica. Trade shows, personal selling to animal health professionals is a really a big part of marketing to veterinarians and the veterinarian community. My background is in the human health space. And there trade shows were important. But we didn't do any transactions at those trade shows. In the animal health industry, veterinarians bring their checkbooks to these trade shows. That's where they essentially go shopping. They're super busy in their practices and sometimes tough to -- for them to allocate time to see new products. So, when they go to these trade shows, they buy. In fact, that's one of the reasons why our PulseVet capital revenue is so high in the fourth quarter, and that's because the annual -- the big annual equine trade show is in either November,

late November or early December each year. And we sell as many PulseVet systems in that trade show as we do in some quarters, just routine way.

But I don't want to have anyone believe that the only thing we do is market at trade shows, although we don't. We also have a very robust social media program. The social media program is on Instagram, it's on Facebook, it's on Google, it's on Twitter. And you have to kind of tailor your marketing efforts to who's going to see them. It doesn't really do a lot of good, for example, to try and reach veterinarian professionals on say Instagram, but we certainly can meet pet parents. And so, we do a lot of social media marketing that's addressed towards pet parents, so that they in turn can go and share with their veterinarian, hey, take a look at this, take a look at that. These are products that you might want to look into.

We also do a lot of online marketing. We do a lot of extensive email, web based email campaigns, to veterinarians around the country. This is a very effective way to get to that who might otherwise not go to a trade show or aren't on social media. These email campaigns are reflected in leads that come in. We also do a lot of educational programs. So, our sales reps are out doing – getting together with veterinary professionals for dinner meetings or for lunch and learns in their practices. We also have a program that we call Zomedica University, one of the things that all veterinarians and techs need are continuing education hours. And so we sponsor Zomedica University, which is a web-based program that offers every Wednesday, during the year.

A RACE approved or CE approved education program where they can attend via the webinar. And then once they attend, then they get certificates for ongoing education, a continuing medical education credits, which they need. We not only do these every Wednesday, but then we also have additional web programs that we do throughout the year. These aren't for pet parents, although I suppose one of them could join if they wanted to. These are for vet professionals. In addition, our professional services veterinarians, we have four of them, they're out in the field, interacting with the salespeople, and with that practices around the country. So, marketing to the animal health professionals, a combination of both, marketing directly to them, very directly, here's a product you should buy.

To sort of indirectly -- marketing to them, which is, here's some educational information, which will talk to you about a disease state or an injury condition, which is treated very well or diagnosed very well by our products. And so, that's a little bit of indirect marketing. And further indirect marketing is through social media, to the pet parents, for them to go in and sort of help - I don't know virtual salespeople for Zomedica products. In fact, any of our shareholders that are on the call today, next time you go to your vet, please have them give us a call.

## **Operator**

[Operator Instructions]

## **Larry Heaton**

So operator, I have a question that I know I'm going to ask for shareholders that if we had a web conference -- web questions, I know they would ask it and that would be, will we be doing a reverse stock split? So, I'll take the liberty of asking that question myself off myself and I'll answer.

We do not need to. And we have no plans to execute a reverse stock split. Reviewing data around reverse splits shows that there are much more often than not -- results after the split and we see that. Now, while many companies that execute a reverse split do so because they're facing de-listing, because they're on an exchange that has a \$1 threshold and may have other issues, such as they have maybe revenue declining or insufficient capital. We do not, the threshold for the New York American exchange is \$0.20 and while we're close to it, we're not below it. And with liquidity of almost \$150 million and revenue last year of \$19 million, we would not expect ourselves to find ourselves in that condition. We certainly don't have declining revenue and we have with the liquidity of almost \$150 million and a burn normalized burn of about \$3.5 million a year, we think we're in pretty good shape.

Now, we would, of course, like to see our stock price above the level that institutional investors can acquire it, because we think that would be helpful to all of our shareholders. But we would not attempt it unless we were highly confident that given the circumstances at the time, our post split results would be beneficial to our current shareholders.

In any event, it's not just our confidence that would be needed but also two thirds of our shareholders would have to support it and vote in favor of it as well, which we believe is highly unlikely, at least for the near future. So, put another way, the answer to that question is no.

A second question that's often asked, and I'll just go to -- I know there's another question on the line, is will we be buying back shares? And the answer there is consistent with previous quarters, we continue to believe that in the economic climate that we're in is very uncertain, it is prudent to hold on to capital. Additionally, we believe that the best use of our capital for all of our shareholders is for us to use it to generate organic growth and support acquisitions and facilitate reaching profitability, as our immediate goals are getting to cash flow positive and beyond to profitability.

Back to you, operator.

**Operator**

Thank you, sir. The next question comes from Douglas P. Smith of Douglas P. Smith, DDS. [Ph]

**UnidentifiedAnalyst**

Thank you for taking my question. The question I have is around the TRUFORMA with the equine assay. My question is, how attractive in the equine market will a single assay be. And using the razor blade model, how many units do you think are possible to move in to that, as far as with a single assay?

**Larry Heaton**

Yes, great question. So first, I'll point out that it's the first assay that we intend to launch for the equine market. It's the most important assay I think that horse owners could -- and horse vets could possibly get. But we also intend to also launch our cortisol assay into that market. We just don't have a timeframe on that yet. So not really harping that up yet.

The assay that we have for endogenous ACTH for horses, is a screen for a condition called equine Cushing's disease. It's also I think now called PPID, but it's equine Cushing's disease. Now, the reason that this is important is that a horse that's 12 years old, maybe down to 10

years old, certainly older than 12, are highly susceptible to Cushing's disease. If they get Cushing's disease, and it's not hot right away, and it's not treated, then that leads to laminitis. And the only course of action for horse with laminitis is that horse gets put down.

And so, while it's only a single assay, it's an assay that can really truly mean the difference between life and death for horses that are of an age. And so, we believe that veterinarians will adopt this – equine vets will adopt this very quickly, very rapidly. Because this will be the opportunity for them to finally have a practical screen for this disease. We can't imagine any horse owner ever declining to have this stream done for the price of the assay, markup by the veterinarian so that they make money off of it. And we can't imagine any equine vet, not offering this to every horse that's of a certain age on a wellness visit basis.

And so, we're super excited about this particular assay. It is the first assay that we're launching that instead of an assay that's run by a vet, when an animal pet presents symptoms, like boy, did you have symptoms, I think it's adrenal disease, maybe, so let's do these assays, or looks like you might have a thyroid problem, let's do these assays. Instead, this is an assay that would be done on every horse that's of a certain age that that vet sees. So, we're very optimistic and looking forward in a significant way.

I should say that the only other way that you can get this assay performed is if you – once you pull the blood from the horse, you immediately freeze it. And then you send it off to a highly specialized center, an academic center to do the test. They can sometimes do – small animal vets can sometimes do that in the clinic, because they have a freezer right there and so on, even then it's not great because the molecules start to degrade as soon as it's out of the body. But neither here nor there, equine vets, they almost always go to the horse, their stall side, so they don't have a big freezer that they can pop the blood into.

So, we're very optimistic about this assay. And we think that the fact that it's one assay just simply reflects the fact that it's the first of multiple assays that will come. But even if there weren't other assays, we think veterinarians are going to really adopt this very quickly.

**Unidentified Analyst**

So, how much revenue do you think that – I mean, what's the market for that – say, the last, then how much will that add to Zomedica's bottom-line?

**Larry Heaton**

So, that's a good question and as we get closer to launching the product, we'll produce some data around that. I will tell you that there are about 2,400 equine vets in the United States, there's about 2,200 vets that do have mixed practices. So, it's a relatively small group of veterinarians that we have to contact. So, we think we can reach them in a fairly expeditious way, in terms of rapidly penetrating the market.

And I will say to you that the PulseVet system, which is sold, we sell now to small animal vets. For the last decade or so it was sold primarily to equine vets, and it has become a standard of care. And over the last 18 months, we have transitioned from most PulseVet selling the device to equine vets to Zomedica's PulseVet division selling the device. And so, when our salespeople or when we as a company approach these equine vets, they're not dealing with a brand new company they never heard of, they're dealing with a company that has been providing them with the very credible tried and true product that they've come accustomed to using as a standard-of-care, PulseVet. So we think we get some really good synergy from that situation.

**Unidentified Analyst**

One last follow-up question on that then. You mentioned the U.S. market. How does the U.S. market compare with the international market for the equine population? And is it possible to launch that assay internationally as well as stateside in the near future?

**Larry Heaton**

So, yes, right? So currently, we sell both the PulseVet products and the Assisi products outside the U.S. through two different networks of distributors, which we are merging into a single network. Not every country has the same sort of affinity for horses as the U.S., but many of them do. And you can imagine where they are all around the world. About 20% of our revenue currently comes from international and of that probably, I don't know 80% or more of that is PulseVet. So, that's sold to horse vets. So, we do expect to launch this product outside of the

U.S. We actually – we currently sell to in North America, the TRUFORMA assays. It's a matter of having a distribution set for them. And we're currently working on selling into our first center in Brazil, South America. So as we launch this product, we'll use this as a springboard to launch TRUFORMA, ex-U.S. through wherever – certainly wherever there's a substantial equine market.

**Operator**

The next question comes from [indiscernible].

**Unidentified Analyst**

Hi, Larry. Congratulations on another great quarter. I was wondering if either you or Peter could go over the gross margin for each product line.

**Larry Heaton**

We could Derrick, [ph] but that's not some information that we...

**Peter Donato**

Yes. We normally don't disclose it. What we will tell you though is, blended, we feel really good about the 70% for the full year. As you think about our business, we have a high capital margin, higher than most capital companies, right? We haven't disclosed with what that is. And then, our consumables are traditionally very high. But blended, we feel good about 70% going forward. There's a lot of positive things going on at the Roswell facility that we feel pretty good about.

**Operator**

The next question comes from Jim Franks of Lighting. [Ph]

**Unidentified Analyst**

Hey, Larry, private investor here. I haven't heard in a while anything in regards to our cancer patent. And do we have in the future any cancer detecting assays in the works?

**Larry Heaton**

Thanks for the question. The cancer patent was issued as a result of work that was done several years ago in collaboration with a company called Selsey. [Ph] Selsey was the entity that was developing – potentially developing a cancer assay. And this patent arose out of that work, which we did in collaboration with them. But several years ago, and we commented on this, and – in the 10-K, that we issued three months ago. But several years ago, Selsey was sold to another company. And it was sold to that company for things other than animal health assays, in particular with cancer. And that company closed the program down. And based on the stage of the program, where it was at the time and the fact that the new acquirer of Selsey, did not see that it would be fruitful, they decided to close it down. And so our investment and our work in that area also stopped at that time. We disclosed that I think in recent submission.

I will say that the market since then, and perhaps if four years ago, that product would have rapidly come to market, it would have been first to market, would have had first mover advantage. But since then there have been a couple of other companies that have come to market, one for measuring inflammation as a proxy for cancer and another one to do a cancer diagnostic. And so, I think at this point given that there are other products already in the market purporting to do this, we decided we would wait and see whether or not those were going to be effective, after all, whether there seem to be a market for them before we – before we decided to go down the road with another instrument.

It's apparently not possible to use the TRUFORMA platform of platform to determine whether a pet has cancer. And so we would have to come up with an entirely new platform. And given our investment in TRUFORMA, where we are with that and other products, at this point we do not have an active program to do that.

#### **Operator**

Thank you. Ladies and gentlemen, with no further questions in the queue, we have reached the end of the question-and-answer session. I would now like to turn the call back over to Larry Heaton for closing remarks.

#### **Larry Heaton**

Yes. Thank you very much. I appreciate those of you who attended the call today. Thank you for your time. Thank you for supportive Zomedica. Just because we have these calls once a quarter, doesn't mean that's the only time that we'd be happy to talk to you. Feel free to reach out via email or phone to our investor line. We'd be happy to talk to you at any point. We'll continue to work hard to help your company grow and increase the value of your holdings. Thank you for your time. Goodbye.

**Operator**

Thank you. Ladies and gentlemen, that concludes today's conference. Thank you for attending and you may now disconnect your lines.